

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 NEA-10 ISO-00 CAB-02 CIAE-00

COME-00 DODE-00 DOTE-00 INR-07 NSAE-00 CIEP-01 FAA-00

XMB-02 L-03 TRSE-00 /052 W
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R 240935Z NOV 76

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 6722

INFO AMEMBASSY ABU DHABI

AMEMBASSY ATHENS

AMEMBASSY BRUSSELS

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

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FROM RCAA DWOR

ROME FOR RCAA, ATHENS PLEASE PASS TO RCAA

BRUSSELS FOR FAA

DEPARTMENT PASS COMMERCE FOR COHEN, HALE, MYERS; FAA FOR
CARY AND CARMICHAEL: EXIMBANK

E.O. 11652: N/A

TAGS: EAIR, BEXP, KU

SUBJECT: KUWAIT AIRWAYS FLEET EXPANSION AND DEVELOPMENT PLANS

REF: (A) ROME 17300, (B) ROME 16914, (C) KUWAIT 3141.

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1. SUMMARY: RCAA AND EMB ECONOFF VISITED KUWAIT AIRWAYS HEADQUARTERS NOVEMBER 20 - 23 MAKING CALLS ON CHAIRMAN/GENERAL MANAGER FAISAL SAUD AL FULAIJ, DIRECTOR PLANNING YOUSEF A. AL JASSEM; ECONOMIC RESEARCH CONTROLLER T.R.P. NAIR, AND CHIEF ENGINEER A.J. DADY. FOLLOWING DEVELOPMENTS AND INFORMATION EMERGED: A) TARGET-DATE TYPE-SELECTION DECISION FOR NEW WIDE-BODIED AIRCRAFT IS DECEMBER 15 AND APPEARS NARROWED TO EITHER TWO BOEING 747-269B COMBIS, VALUED AT \$100 MILLION; OR THREE LOCKHEED-CALIFORNIA L-1011-200 TRISTARS, VALUED AT \$105 MILLION, FOR DELIVERIES COMMENCING SPRING 1978; B) AIRLINE'S CONSISTENT PROFITABILITY RECORD OVER RECENT YEARS (BOLSTERED BY A STANDARDIZED BOEING 707 FLEET, RAPID TRAFFIC GROWTH, EFFECTIVE COST CONTROLS, AND APPARENTLY SUBSIDIZED COSTS ON AVIATION FUEL UPLIFTED IN KUWAIT) WITH NET OPERATING INCOME \$8.998 MILLION U.S. 1973, \$14.813 MILLION U.S. 1974, AND \$19.876 MILLION U.S. 1975; C) CONTINUED PROFITABILITY 1976 APPEARS INDICATED BY FIRST HALF RESULTS SHOWING TOTAL TRAFFIC (REVENUE TON-KILOMETERS) UP 17.6 PERCENT, PASSENGER LOAD FACTOR UP 4 POINTS, AND TOTAL OPERATING REVENUES UP 33.8 PERCENT; D) CONTINUED DELAYS IN IMPLEMENTATION PLANNED ROUTE EXPANSION EASTWARD BEYOND BOMBAY TO TOKYO VIA S.E. ASIA; BUT EXTENSION ROUTE SYSTEM EFFECTED JUNE 1, 1976 BEYOND CAIRO TO TRIPOLI, TUNIS AND CASABLANCA AND EXTENSION EFFECTIVE APRIL 1, 1977 BEYOND GENEVA TO AMSTERDAM AND BEYOND TO ROME TO MADRID; E) AIRLINE'S FIVE BOEING 707-369C'S (EARMARKED FOR 1977 CABIN MODIFICATION TO WIDE-BODIED-LOOK INTERIORS), TWO EX-PAN AM BOEING 707-321C'S, AND ONE VIP BOEING ADVANCED 737-269 TO BE SUPPLEMENTED BY ONE OR TWO LEASED BOEING 707-320 C'S AND ONE WETLEASED WIDEBODIED AIRCRAFT SPRING 1977, PENDING DELIVERY KUWAIT AIRWAYS FIRST TWO NEW WIDEBODIED AIRCRAFT SPRING 1978. END SUMMARY.

2. FLEET PLANNING AND EXPANSION: AIRLINE'S WIDEBODY SELECTION COMMITTEE, COMPOSED OF REPRESENTATIVES OF OPERATIONS, ENGINEERING, COMMERCIAL AND PLANNING DEPARTMENTS, PRESENTLY COMPLETING REPORT TO CHAIRMAN OUTLINING RECOMMENDATIONS AS TO WHICH AIRCRAFT TYPE SHOULD BE SELECTED FOR ACQUISITION. POSSIBLY CONFLICTING VIEWS OF EACH OF THE DEPARTMENTS WILL BE RESOLVED BY CHAIRMAN FULAIJ WHO WILL FORWARD RECOMMENDED DECISION TO CROWN PRINCE/PRIME MINISTER H.H. SHAIKH JABER AL AHMAD AND MINISTER OF FINANCE ABD AL-RAHMAN AL-ATEEQI FOR GOK APPROVAL AND FINANCING SUPPORT. LIMITED OFFICIAL USE

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TARGET DATE FOR COMPLETION GOK AND BOARD OF DIRECTORS APPROVAL SET AT DECEMBER 15, TO PERMIT SIGNING LETTER-OF-INTENT PRIOR YEAR-END 1976; BUT TARGET DATE MAY SLIP BY TWO OR THREE WEEKS ACCORDING ECONOMIC RESEARCH CONTROLLER NAIR.

3. ALTHOUGH COMPETITION EARLIER HAD BEEN NARROWED TO BOEING 747-269B, LOCKHEED-CALIFORNIA L-1011-200 TRISTAR, AND MCDONNELL DOUGLAS DC-10-30, PRESENT INDICATIONS POINT TO HEAD-TO-HEAD

CONTEST BETWEEN 747-269B COMBI AND L-1011-200 TRISTAR. PREVIOUSLY APPEARANCES POINTED TO FOREGONE CONCLUSION THAT AIRLINE WOULD SELECT 747-269B COMBI DUE TO FOLLOWING FACTORS: A) AIRLINES HIGHLY SUCCESSFUL AND PROFITABLE EXPERIENCE IN OPERATING ALL-BOEING 707-369C/321C/ADVANCED 737-269 FLEET, B) CLOSE PERSONAL RELATIONSHIPS ESTABLISHED BETWEEN AIRLINE AND BOEING, C) LOWER AVAILABLE SEAT-MILE AVAILABLE TON-MILE OPERATING COSTS OF 747-269B COMBI, D) VERSATILITY AND FLEXIBILITY OF COMBI CONFIGURATION IN MEETING AIRLINE'S RAPIDLY GROWING TRAFFIC -- CARGO AND PASSENGER. LOCKHEED-CALIFORNIA, HOWEVER, APPEARS TO HAVE SUCCEEDED IN WINNING STRONG SUPPORT FOR TRISTAR AMONG PERSONNEL OF OPERATIONS AND ENGINEERING DEPARTMENTS OF AIRLINE. MARKETING PITCH FOR TRISTAR BASED ON A) SMALLER SIZE (GROSS TAKE-OFF WEIGHT 496,000 LBS. AS COMPARED TO 747-269B'S 800,000 LBS.), B) LOWER INITIAL COST (\$35 MILLION AS COMPARED TO 747-269B COMBIS \$50 MILLION, PER AIRCRAFT), C) LOWER OPERATING COSTS AND FUEL BURNOFF PER AIRCRAFT HOUR AND PER AIRCRAFT MILE, D) GREATER FLEXIBILITY AND ADAPTABILITY TO DEPLOYMENT OVER AIRLINE'S TOTAL ROUTE SYSTEM (RATHER THAN ON HIGH-DENSITY/LONGER-HAUL ROUTES ONLY), E) AND OPPORTUNITY FOR CLOSE COLLABORATION WITH NEIGHBORING AIRLINES SAUDIA AND GULF AIR (WHO HAVE THIRTEEN L-1011-100/200 TRISTARS IN OPERATION OR ON FIRM ORDER) IN ENGINEERING, SPARES, AND TRAINING SUPPORT OF COMBINED TRISTAR FLEETS. LATTER ARGUMENT WAS ALSO DIRECTED BY LOCKHEED-CALIFORNIA AT GOK OFFICIALS AND AIRLINE CHAIRMAN WHO MAY CONTINUE TO HARBOR ASPIRATIONS FOR POSSIBLE FUTURE MERGER OR JOINT OPERATIONS WITH NEIGHBORING AIRLINES (I.E. GULF AIR).

4. AIRLINE WILL ORDER EITHER TWO BOEING 747-269B COMBIS, VALUED AT \$100 MILLION INCLUDING SPARES; OR THREE WIDEBODIED TRIJETS (PROBABLY LOCKHEED-CALIFORNIA L-1011-200 TRISTARS), VALUED AT \$105 MILLION INCLUDING SPARES, FOR DELIVERY SPRING 1978. IN INTERIM, AIRLINE WILL WETLEASE ONE WIDEBODIED LIMITED OFFICIAL USE

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AIRCRAFT (SIMILAR TO TYPE TO BE ORDERED) FOR DEPLOYMENT APRIL 1, 1977 THREE ROUND TRIPS WEEKLY KUWAIT-LONDON (VIA ROME, PARIS, FRANKFURT OR NONSTOP). ADDITIONALLY AIRLINE WILL LEASE ONE OR TWO BOEING 707-320C'S DURING 1977 TO MEET ANTICIPATED TRAFFIC REQUIREMENTS AND TO FILL CAPACITY-VOID CREATED BY PLANNED PHASED MODIFICATION AIRLINE'S FLEET FIVE BOEING 707-369C'S TO WIDEBODIED-LOOK INTERIORS AT BOEING-WICHITA OR HONG KONG ENGINEERING (TWO WEEKS DOWNTIME PER AIRCRAFT). COMMENCING SPRING 1978, COINCIDENTAL WITH DELIVERY AIRLINE'S NEW WIDEBODIED AIRCRAFT, THE TWO OR THREE LEASED AIRCRAFT WILL BE RETURNED TO LESSORS AND KUWAIT AIRWAYS TWO BOEING 707-321C'S (ACQUIRED USED FROM PAN AM LAST YEAR) WILL BE EITHER RETIRED AND SOLD OR CONVERTED TO ALL-CARGO CONFIGURATION.

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INFO OCT-01 EUR-12 EA-07 NEA-10 ISO-00 L-03 CAB-02 CIAE-00

COME-00 DODE-00 DOTE-00 INR-07 NSAE-00 CIEP-01 FAA-00

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R 240935Z NOV 76

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 6723

INFO AMEMBASSY ABU DHABI

AMEMBASSY ATHENS

AMEMBASSY BRUSSELS

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

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5. EFFECTIVE APRIL 1, 1978, WIDEBODIED SCHEDULED SERVICES WILL BE EXPANDED TO INCLUDE CAIRO, BOMBAY, DUBAI, ABU DHABI, POSSIBLY KARACHI, AND PROBABLE STEPPED-UP FREQUENCIES TO WESTERN EUROPE.

6. FLEET DEPLOYMENT AND ROUTE PLANNING: AIRLINE'S PRESENT FLEET CONSISTS OF FIVE BOEING 707-369C'S (CONFIGURED AT 20 FIRST-CLASS AND 132 ECONOMY SEATS), TWO BOEING 707-321C'S (ALSO CONFIGURED AT 20 FIRST-CLASS AND 132 ECONOMY SEATS), AND ONE BOEING ADVANCED 737-269 VIP (CONFIGURED AT 8 FIRST-CLASS AND 98 ECONOMY SEATS). THE VIP AIRCRAFT IS EARMARKED FOR GOK USE BUT IS USUALLY AVAILABLE TO THE AIRLINE FOR OPERATIONAL BACK-UP, SHOULD CIRCUMSTANCES SO REQUIRE. THE FLEET IS DEPLOYED ON SIXTY ROUND-TRIP (RT) FREQUENCIES WEEKLY, INCLUDED THE FOLLOWING:

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KUWAIT-EUROPE EIGHT RT WEEKLY INCLUDING TRAFFIC POINTS
 LONDON, PARIS, FRANKFURT, ATHENS, ROME, GENEVA
 KUWAIT-GULF NINE RT WEEKLY, INCLUDING TRAFFIC POINTS DUBAI,
 MUSCAT, ABU DHABI, DOHA, BAHRAIN, RAS-AL-KHAIMAH
 KUWAIT-MIDDLE EAST -- TWENTY-THREE RT WEEKLY INCLUDING TRAFFIC
 POINTS CAIRO, BEIRUT (TEMPORARILY SUSPENDED),
 BAGHDAD, AMMAN, DAMASCUS, JIDDAH, SANAA,
 KHARTOUM, ADEN
 KUWAIT-IRAN TEN RT WEEKLY, INCLUDING TRAFFIC POINTS
 TEHRAN, ABADAN
 KUWAIT-NORTH AFRICA - TWO RT WEEKLY, INCLUDING
 TRAFFIC POINTS TRIPOLI, TUNIS, CASABLANCA
 (ALL VIA CAIRO)
 KUWAIT-INDIA/PAKISTAN - EIGHT RT WEEKLY, INCLUDING TRAFFIC
 POINTS KARACHI, BOMBAY (ALL VIA DUBAI OR
 ABU DHABI), DELHI.
 EFFECTIVE APRIL 1, 1977, AIRLINE WILL EXTEND ONE RT WEEKLY KUWAIT-
 ATHENS-ROME WESTWARD TO MADRID AND INTRODUCE ONE NEW RT WEEKLY
 KUWAIT-AMSTERDAM, PROBABLY VIA GENEVA. CARRIER'S LONG-STANDING
 PLANS TO INTRODUCE SCHEDULED SERVICES EASTWARD FROM BOMBAY TO
 S.E. ASIA AND TOKYO ARE INDEFINITELY DELAYED PENDING GOK EASING
 OF TRAFFIC-INHIBITING BAN AGAINST AIRLINES SERVING LIQUOR ON-BOARD
 AIRCRAFT, AND AVAILABILITY LANDING SLOTS AT TOKYO'S TRAFFIC-
 SATURATED HANEDA OR NEW NARITA INTERNATIONAL AIRPORT.

7. FINANCIAL RESULTS AND OUTLOOK: AIRLINE HAS MAINTAINED CON-
 SISTENT RECORD OF PROFITABILITY OVER RECENT YEARS AS FOLLOWS:
 1973 \$8,998,000 U.S.; 1974 \$14,813,000 U.S.; 1975 \$19,876,000
 U.S. RESULTS FOR 1976 APPEAR FAVORABLE, AS POINTED UP BY REVENUE
 INCREASES FIRST HALF YEAR OVER FIRST HALF 1975 AS FOLLOWS: PASSEN-
 GER REVENUE 30.6 PERCENT INCREASE, FREIGHT REVENUE 52.8 PER-
 CENT INCREASE, TOTAL REVENUE 31.6 PERCENT INCREASE. PROGNOSIS FOR
 1977 UNAVAILABLE BUT PROFIT MARGINS MAY BE CONSTRAINED DUE
 HEAVY AIRCRAFT LEASING COSTS (ONE WIDEBODY, ONE OR TWO 707-
 320C'S.

8. TRAFFIC RESULTS

1974	1975	FIRSTHALF
	1976	
OVER	OVER	OVER
1973	1974	FIRSTHALF 1975

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REVENUE TON-KILOMETERS PLUS 6.8 PERCENT PLUS PLUS 17.6
 16.1 PERCENT PERCENT
 AVAILABLE TON-KILOMETERS PLUS 5.5 PERCENT PLUS 14.5 PLUS 17.1

	PERCENT	PERCENT	
LOAD FACTOR	PLUS 0.6 POINTS	PLUS 0.7	PLUS 0.2
	POINTS	POINTS	
SEAT FACTOR	MINUS 0.4 POINTS	NO CHANGE	PLUS 4.0
	POINTS		
MAESTRONE			

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Message Attributes

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